

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 11, 2011
POSITION: Oppose
SPONSOR: California Alternative Payment Program
Association

BILL NUMBER: AB 245
AUTHOR: A. Portantino

BILL SUMMARY: Child Care Contractors: Electronic Payment

This bill would require the State Department of Education (SDE) to request the Controller (upon the request of a child care contractor) to make payments via electronic funds transfer (EFT) into a contractor's bank account, effective January 1, 2013. Current law authorizes the Superintendent of Public Instruction to enter into and execute local contractual agreements with any public or private entity or agency for the delivery of child care and development services.

FISCAL SUMMARY

The SDE currently manages child care agency contracts and payment processing functions through the Provider Accounting and Reporting Information System (PARI\$). Payments are currently processed to the State Controller's Office (SCO) manually. The SDE was authorized to replace PARI\$ in 2008, due to concerns that the system is outdated, difficult to maintain, and does not have the capability to share data with other SDE systems. The request for proposals (RFP) for the replacement included a requirement to support electronic claims processing for both warrants and EFT. However, the SDE recently terminated the project due to costs that were higher than anticipated in the feasibility study report. According to the SDE, establishment of EFTs would require the replacement of PARI\$ in order to create the electronic payment file and to allow for the retention of bank data for each of the contractors.

According to the SCO, SDE would be charged a one-time fee of \$100,000 to establish an electronic claims process that allows for payments to be made through a warrant or EFT, and \$0.71 per payment. It is unknown to what extent the transaction cost exceeds the cost of processing manual claims. However, the SDE would be charged for EFT transaction costs related to payment reversals, returns, or tracking.

COMMENTS

The Department of Finance (Finance) is opposed to this bill for the following reasons:

- This bill would result in additional costs in the millions of dollars to replace PARI\$, in order to establish an electronic claims process for facilitating EFTs for child care contractors. It would also result in additional General Fund costs to the SDE to implement and maintain an EFT payment system.
- The need for the bill is unclear. The author's office cites concerns about checks being lost in the mail or sent to the wrong address. However, according to the SDE, there is no record of lost checks. The only circumstance in which checks would be received late is due to a budget impasse.

Analyst/Principal (0382) S. Swan	Date	Program Budget Manager Nick Schweizer	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

A. Portantino

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AB 245

The SDE's general child care and development programs provide supervision and age-appropriate developmental activities to children from low-income families. The SDE contracts with a statewide network of agencies to provide child care through direct-contracted centers and voucher-based programs, which contract with third party agencies known as Alternative Payment Programs. In addition to direct services, SDE also funds resource and referral (R&R) programs and a variety of activities intended to improve the quality of child care services, such as health and safety training and professional development for child care providers. According to the SDE, there are currently approximately 2,800 direct services child care contracts with 950 public and private agencies, and between 2,000 and 3,000 child care support contracts.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
6110/Dept of Educ	SO	No	-----	See Fiscal Summary				-----	0001